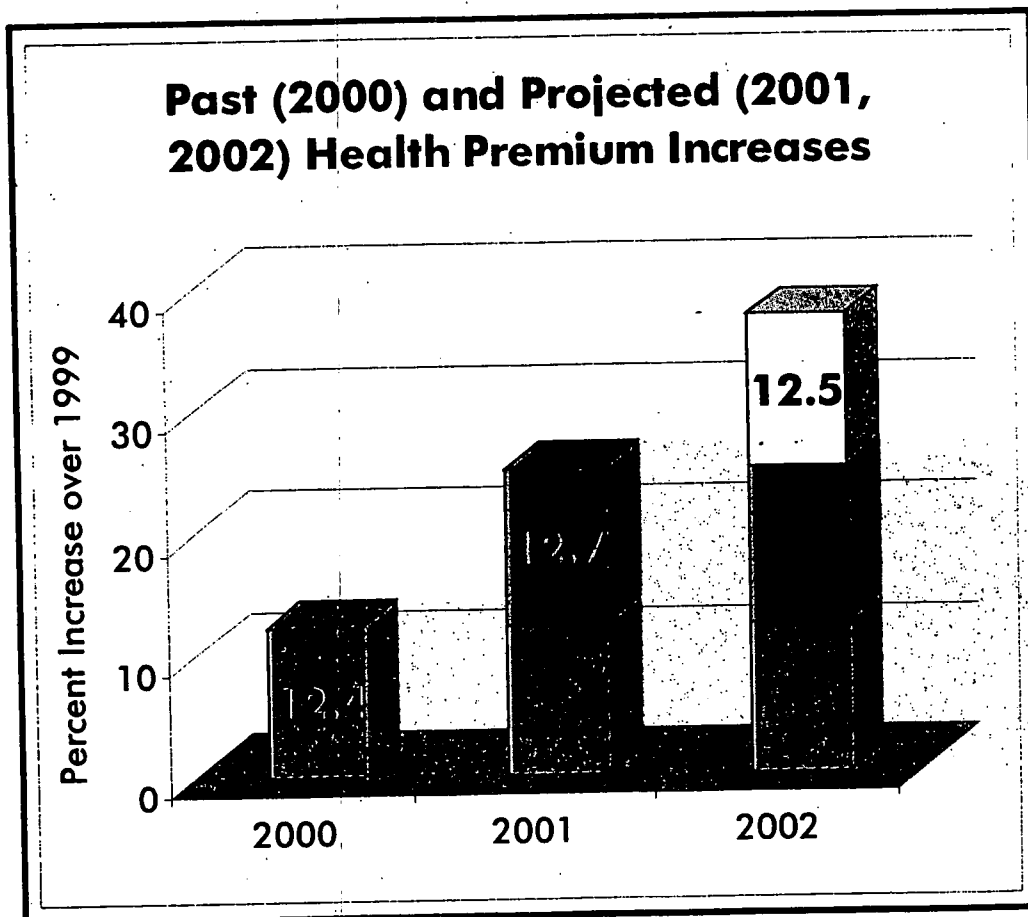


February 20, 2001

Amid Double-Digit Cost Increases . . .

Half of Employers Say They Would Drop Employee Coverage If Exposed to Lawsuits

Last year, health insurance premiums were increasing by double digits and are expected to do so for years to come. Nearly half of employers now report they would drop employee health coverage if Congress passes legislation exposing them to increased liability. There could not be a worse time to threaten American families' health coverage with legislation allowing lawsuits against employers.



Source: Deloitte & Touche/*Business & Health*

A recent survey sponsored jointly by the consulting firm Deloitte & Touche and the industry journal *Business & Health* reveals employer health premiums increased more than 12 percent last year and are expected to increase nearly 13 percent in both 2001 and 2002. If these projections hold, by 2002 employers will have seen their health benefit costs increase 27 percent over 2000 levels – before the cost of any legislative mandates are added [Shelly Reese, “Employers Are Tied to the Inflation Track,” *Business & Health*, January 2001, p. 39].

- **Employer liability could help increase health insurance costs as much as 31 percent over the next two years.** The most recent attempt to expose employers to liability was Norwood-Dingell II (H.R. 2990 in the 106th Congress, rejected by the Senate). The Congressional Budget Office estimated Norwood-Dingell II would increase health premiums an average of 4.1 percent. This increase would be added to the 27 percent increase employers already expect to receive.

According to a recent survey by Hewitt Associates, employers are becoming increasingly concerned about the prospect of expanded liability and the threat it poses to their employees.

- **Roughly half of employers (46 percent) reported they would “likely get out of the business of providing health care coverage” if exposed to increased liability.** Similarly, 48 percent said expanded liability would hinder care management and 80 percent said it would increase consumer costs [“Half of Employers Seen Dropping Coverage If Legislation Expands Health Care Liability,” *BNA Daily Report for Executives*, 2/14/01, p. A-25].

The effects of exposing employers to liability are already evident in states that have done so.

- **Expanded liability already has increased Arizonans’ health premiums by as much as 6 percent.** “Health-care premiums in Arizona will rise as much as 6 percent this year because of a new HMO law. The law grants consumers the right to sue their health-maintenance organizations . . . That is in addition to the 13 to 15 percent premium increases already put into effect by many insurance companies this year . . . The law also is indirectly blamed for what could wind up being a \$60 million increase in the cost of providing health insurance to state employees” [“Premiums Expected to Rise Further Because of New Law,” *Associated Press*, 1/29/01].

With health insurance premiums increasing as much as 13 percent per year and a questionable economic outlook, there could not be a worse time to add a 4-percent lawyer’s surcharge.

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